

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2014

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
American Institute  
of CPAs

♦  
MEMBER,  
Kentucky Society  
of CPAs

### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated October 10, 2014, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
October 10, 2014

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

As management of the Mayfield Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning general fund balance for the District was \$3,032,714 and the ending balance was \$2,243,835.
- The District had a combined fund balance for all governmental funds on July 1, 2012 of \$2.616 million. The balance increased to \$3.034 million by June 30, 2013 and decreased to \$2.898 million by June 30, 2014. The decrease was primarily due to an increase in instructional and plant operations and maintenance expenditures. The net position of the proprietary fund increased from \$707,000 at July 1, 2012 to \$849,000 by June 30, 2013 to \$1,059,000 by June 30, 2014. The increase was primarily due to an increase in federal grant funds received.
- The District added four new classrooms at the elementary school due to an increase in enrollment to 857, which is the most it has been in the last ten years of existence. Classified and certified staff were added due to this increase in enrollment. The BG form for this project was \$975,392.
- Two new 66 passenger school buses were added to the fleet for \$170,000.
- Security cameras were purchased and installed at the cost of \$7,035 along with new lighting for \$16,522 at the vocational school.
- New technology teacher stations were added district-wide for a cost of \$47,136.
- The gymnasium at Mayfield High School was renovated including painting the locker rooms.
- The KETS technology match was made for \$351,000.
- Excluding interfund transfers, the General Fund had \$13,170,161 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$130,000 from the prior year, primarily due to an increase in state funding. Excluding interfund transfers, there was \$13,954,319 in General Fund expenditures. Expenditures increased \$1,050,000 from the prior year, primarily within the instruction and plant operations and maintenance functions.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$10,328,325 as of June 30, 2014. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.



**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

|   | <b>Net Assets for the period ending</b> |                             |
|---|---|-----------------------------|
|   | <b>June 30, 2014</b>                    | <b>June 30, 2013</b>        |
| Current Assets                              | \$ 4,226,695                            | \$ 3,756,973                |
| Noncurrent Assets                           | <u>13,975,162</u>                       | <u>14,070,800</u>           |
| <b>Total Assets</b>                         | <b><u>\$ 18,201,857</u></b>             | <b><u>\$ 17,827,773</u></b> |
| Deferred Loss from Refunding Bonds          | \$ 378,260                              | \$ 416,211                  |
| <b>Total Deferred Outflows of Resources</b> | <b><u>\$ 378,260</u></b>                | <b><u>\$ 416,211</u></b>    |
| Current Liabilities                         | \$ 1,392,328                            | \$ 951,837                  |
| Noncurrent Liabilities                      | <u>6,859,464</u>                        | <u>7,128,085</u>            |
| <b>Total Liabilities</b>                    | <b><u>\$ 8,251,792</u></b>              | <b><u>\$ 8,079,922</u></b>  |
| Net investment in capital assets            | \$ 6,790,531                            | \$ 6,815,949                |
| Restricted                                  | 1,445,302                               | 530,299                     |
| Unrestricted                                | <u>2,092,492</u>                        | <u>2,817,814</u>            |
| <b>Total Net Position</b>                   | <b><u>\$ 10,328,325</u></b>             | <b><u>\$ 10,164,062</u></b> |

**Comments on Budget Comparisons**

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2014, net of interfund transfers, were \$13,170,161.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$758,626 more than budget. The categories with the largest difference from budgeted amounts were the SEEK program (\$288,898 more than budget), taxes (\$307,623 more than budget), and indirect federal funds (\$157,386 more than budget).
- The total cost of all General Fund programs and services, net of debt service, was \$13,954,319.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$806,741 less than budget.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$2,711,351.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2014 as compared to the fiscal year ended June 30, 2013.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

|                                      | June 30, 2014              | June 30, 2013              |
|--------------------------------------|----------------------------|----------------------------|
| <b>Program Revenues:</b>             |                            |                            |
| Charges for services – food services | \$ 87,013                  | \$ 103,576                 |
| Charges for services – governmental  | 91,303                     | 103,381                    |
| Operating grants – food services     | 1,239,448                  | 1,174,452                  |
| Operating grants – governmental      | 4,889,514                  | 5,208,437                  |
| Capital grants – governmental        | <u>895,363</u>             | <u>1,070,587</u>           |
| <b>Total Program Revenues</b>        | <b><u>7,202,641</u></b>    | <b><u>7,660,433</u></b>    |
| <b>General Revenues:</b>             |                            |                            |
| Taxes                                | 3,207,374                  | 3,111,280                  |
| Earnings on investments              | 27,996                     | 31,749                     |
| State and formula grants             | 7,309,082                  | 7,106,936                  |
| Gain on disposal of fixed assets     | 0                          | 846                        |
| Miscellaneous                        | <u>0</u>                   | <u>31,862</u>              |
| <b>Total General Revenues</b>        | <b><u>10,544,452</u></b>   | <b><u>10,282,673</u></b>   |
| <b>Total Revenues</b>                | <b><u>17,747,093</u></b>   | <b><u>17,943,106</u></b>   |
| <b>Expenses:</b>                     |                            |                            |
| Instruction                          | 10,505,061                 | 10,231,186                 |
| Student support services             | 425,398                    | 420,720                    |
| Instructional support                | 746,044                    | 846,357                    |
| District administration              | 594,922                    | 703,203                    |
| School administration                | 911,713                    | 852,399                    |
| Business support                     | 211,975                    | 197,631                    |
| Plant operations                     | 1,982,523                  | 1,540,087                  |
| Student transportation               | 662,912                    | 737,917                    |
| Community services                   | 196,445                    | 194,961                    |
| Interest on long term debt           | 197,454                    | 206,059                    |
| Food service operation               | 1,128,877                  | 1,140,123                  |
| Other Debt service                   | <u>19,506</u>              | <u>6,826</u>               |
| <b>Total Expenses</b>                | <b><u>17,582,830</u></b>   | <b><u>17,077,469</u></b>   |
| <b>Change in Net Position</b>        | <b>164,263</b>             | <b>865,637</b>             |
| <b>Beginning Net Position</b>        | <b><u>10,164,062</u></b>   | <b><u>9,298,425</u></b>    |
| <b>Ending Net Position</b>           | <b><u>\$10,328,325</u></b> | <b><u>\$10,164,062</u></b> |

**General Fund Revenue**

The majority of revenue was derived from state funding (\$10,022,498) making up 76% of total revenue and \$2,857,623 from local taxes (22%).

**General Fund Expenditures**

The largest category of expenditures was for instruction (60%), followed by plant operations and maintenance (14%), school administration support services (6%), student transportation (6%), instructional staff support services (5%), district administration support services (5%), student support services (3%), and business support services (1%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2014, the District had \$13,975,162 invested in land, buildings, and equipment. Of that amount, \$13,635,731 is in governmental activities. Major purchases that increased capital assets included three buses, technology equipment, softball field lights, track resurfacing, and construction of new classrooms at Mayfield Elementary School. Total additions to capital assets were \$696,894, while depreciation expense was \$740,253 in governmental activities, causing the net amount of noncurrent assets to decrease by \$43,359. Approximately \$550,000 has been committed to complete the construction of the classroom additions.

See Note E for a breakdown of additions by class on page 29.

**Debt Administration**

The District had \$7,271,890 in bonds and capital leases payable outstanding on June 30, 2014. A total of \$686,228 is due within one year. Bonds were issued in the amount of \$582,000 to finance the construction of new classrooms at Mayfield Elementary School. Bond principal payments during the year were \$600,000, while KISTA principal payments were \$52,062.

See Note F on pages 30-31 for a detailed list of bonds payable.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$866,175 in contingency (7%). The beginning general fund balance for beginning the fiscal year was \$3,032,714.

Mayfield Independent Public Schools received federal grants in the amount of \$1,397,226 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$536,000 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Lonnie Burgett or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
June 30, 2014

|   | Governmental<br>Activities  | Business-<br>Type<br>Activities | Total                       |
|---|-----------------------------|---------------------------------|-----------------------------|
| <b>ASSETS:</b>  |                             |                                 |                             |
| <b>Current Assets:</b>                                |                             |                                 |                             |
| Cash and cash equivalents                             | \$ 3,018,369                | \$ 651,382                      | \$ 3,669,751                |
| Accounts receivable:                                  |                             |                                 |                             |
| Taxes - current                                       | 126,362                     | 0                               | 126,362                     |
| Taxes - delinquent                                    | 3,598                       | 0                               | 3,598                       |
| Accounts receivable                                   | 35,405                      | 308                             | 35,713                      |
| Interest receivable                                   | 13                          | 0                               | 13                          |
| Intergovernmental - state                             | 795                         | 0                               | 795                         |
| Intergovernmental - indirect federal                  | 230,641                     | 19,523                          | 250,164                     |
| Inventory   | 0                           | 57,436                          | 57,436                      |
| Prepaid expenses                                      | 82,863                      | 0                               | 82,863                      |
| <b>Total current assets</b>                           | <u>3,498,046</u>            | <u>728,649</u>                  | <u>4,226,695</u>            |
| <b>Noncurrent Assets:</b>                             |                             |                                 |                             |
| Capital assets  | 25,400,182                  | 748,400                         | 26,148,582                  |
| Less: Accumulated depreciation                        | <u>(11,764,451)</u>         | <u>(408,969)</u>                | <u>(12,173,420)</u>         |
| <b>Total noncurrent assets</b>                        | <u>13,635,731</u>           | <u>339,431</u>                  | <u>13,975,162</u>           |
| <b>TOTAL ASSETS</b>                                   | <u><u>\$ 17,133,777</u></u> | <u><u>\$ 1,068,080</u></u>      | <u><u>\$ 18,201,857</u></u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                |                             |                                 |                             |
| Deferred loss from refunding bonds                    | \$ 454,162                  | \$ 0                            | \$ 454,162                  |
| Less: Accumulated amortization                        | <u>(75,902)</u>             | <u>0</u>                        | <u>(75,902)</u>             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>           | <u><u>\$ 378,260</u></u>    | <u><u>\$ 0</u></u>              | <u><u>\$ 378,260</u></u>    |
| <b>LIABILITIES :</b>                                  |                             |                                 |                             |
| <b>Current Liabilities:</b>                           |                             |                                 |                             |
| Accounts payable                                      | \$ 332,072                  | \$ 2,517                        | \$ 334,589                  |
| Unearned grant revenue                                | 246,529                     | 0                               | 246,529                     |
| Current portion of bond obligations                   | 645,000                     | 0                               | 645,000                     |
| Less: Current portion of unamortized bond discount    | (7,175)                     | 0                               | (7,175)                     |
| Current portion of KISTA notes payable                | 41,228                      | 0                               | 41,228                      |
| Current portion of KSBIT payable                      | 58,347                      | 0                               | 58,347                      |
| Current portion of accrued sick leave                 | 21,338                      | 766                             | 22,104                      |
| Interest payable                                      | 51,706                      | 0                               | 51,706                      |
| <b>Total current liabilities</b>                      | <u>1,389,045</u>            | <u>3,283</u>                    | <u>1,392,328</u>            |
| <b>Noncurrent Liabilities:</b>                        |                             |                                 |                             |
| Noncurrent portion of bond obligations                | 6,497,000                   | 0                               | 6,497,000                   |
| Less: Noncurrent portion of unamortized bond discount | (80,084)                    | 0                               | (80,084)                    |
| Noncurrent portion of KISTA notes payable             | 88,662                      | 0                               | 88,662                      |
| Noncurrent portion of KSBIT payable                   | 175,041                     | 0                               | 175,041                     |
| Noncurrent portion of accrued sick leave              | 172,645                     | 6,200                           | 178,845                     |
| <b>Total noncurrent liabilities</b>                   | <u>6,853,264</u>            | <u>6,200</u>                    | <u>6,859,464</u>            |
| <b>TOTAL LIABILITIES</b>                              | <u><u>\$ 8,242,309</u></u>  | <u><u>\$ 9,483</u></u>          | <u><u>\$ 8,251,792</u></u>  |
| <b>NET POSITION:</b>                                  |                             |                                 |                             |
| Net investment in capital assets                      | \$ 6,451,100                | \$ 339,431                      | \$ 6,790,531                |
| Restricted for:                                       |                             |                                 |                             |
| Construction  | 652,689                     | 0                               | 652,689                     |
| Debt service  | 1,583                       | 0                               | 1,583                       |
| SBDM  | 71,864                      | 0                               | 71,864                      |
| Food service  | 0                           | 719,166                         | 719,166                     |
| Unrestricted  | <u>2,092,492</u>            | <u>0</u>                        | <u>2,092,492</u>            |
| <b>TOTAL NET POSITION</b>                             | <u><u>\$ 9,269,728</u></u>  | <u><u>\$ 1,058,597</u></u>      | <u><u>\$ 10,328,325</u></u> |

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2014

| FUNCTIONS/PROGRAMS                        | Program Revenues     |                            |  |                                      | Net (Expense) Revenue and<br>Changes in Net Position |                                 |                      |
|---|----------------------|----------------------------|--|--------------------------------------|--|---------------------------------|----------------------|
|   | Expenses             | Charges<br>for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions | Governmental<br>Activities                           | Business-<br>Type<br>Activities | Total                |
|   |                      |                            |  |                                      |  |                                 |                      |
| <b>Governmental Activities:</b>           |                      |                            |  |                                      |  |                                 |                      |
| Instruction                               | \$ 10,505,061        | \$ 91,303                  | \$ 3,697,528                           | \$ 895,363                           | \$ (5,820,867)                                       | \$ 0                            | \$ (5,820,867)       |
| Support Services:                         |                      |                            |  |                                      |  |                                 |                      |
| Student                                   | 425,398              | 0                          | 74,072                                 | 0                                    | (351,326)  | 0                               | (351,326)            |
| Instructional Staff                       | 746,044              | 0                          | 247,441                                | 0                                    | (498,603)  | 0                               | (498,603)            |
| District Administration                   | 594,922              | 0                          | 70,849                                 | 0                                    | (524,073)  | 0                               | (524,073)            |
| School Administration                     | 911,713              | 0                          | 217,403                                | 0                                    | (694,310)  | 0                               | (694,310)            |
| Business                                  | 211,975              | 0                          | 60,713                                 | 0                                    | (151,262)  | 0                               | (151,262)            |
| Plant operations and maintenance          | 1,982,523            | 0                          | 210,944                                | 0                                    | (1,771,579)  | 0                               | (1,771,579)          |
| Student transportation                    | 662,912              | 0                          | 102,571                                | 0                                    | (560,341)  | 0                               | (560,341)            |
| Food service                              | 8,207                | 0                          | 8,207                                  | 0                                    | 0  | 0                               | 0                    |
| Community service activities              | 196,445              | 0                          | 195,387                                | 0                                    | (1,058)  | 0                               | (1,058)              |
| Interest on long-term debt                | 197,454              | 0                          | 4,399                                  | 0                                    | (193,055)  | 0                               | (193,055)            |
| Other debt service                        | 19,506               | 0                          | 0                                      | 0                                    | (19,506)   | 0                               | (19,506)             |
| <b>Total governmental activities</b>      | <b>16,462,160</b>    | <b>91,303</b>              | <b>4,889,514</b>                       | <b>895,363</b>                       | <b>(10,585,980)</b>                                  | <b>0</b>                        | <b>(10,585,980)</b>  |
| <b>Business-Type Activities:</b>          |                      |                            |  |                                      |  |                                 |                      |
| Food service                              | 1,120,670            | 87,013                     | 1,239,448                              | 0                                    | 0  | 205,791                         | 205,791              |
| <b>Total business-type activities</b>     | <b>1,120,670</b>     | <b>87,013</b>              | <b>1,239,448</b>                       | <b>0</b>                             | <b>0</b>   | <b>205,791</b>                  | <b>205,791</b>       |
| <b>Total primary government</b>           | <b>\$ 17,582,830</b> | <b>\$ 178,316</b>          | <b>\$ 6,128,962</b>                    | <b>\$ 895,363</b>                    | <b>(10,585,980)</b>                                  | <b>205,791</b>                  | <b>(10,380,189)</b>  |
| <b>General Revenues:</b>                  |                      |                            |  |                                      |  |                                 |                      |
| Taxes:                                    |                      |                            |  |                                      |  |                                 |                      |
| Property                                  |                      |                            |  |                                      | 2,163,121  | 0                               | 2,163,121            |
| Motor Vehicle                             |                      |                            |  |                                      | 272,744  | 0                               | 272,744              |
| Utilities                                 |                      |                            |  |                                      | 663,205  | 0                               | 663,205              |
| In Lieu of                                |                      |                            |  |                                      | 108,304  | 0                               | 108,304              |
| Earnings on Investments                   |                      |                            |  |                                      | 24,033   | 3,963                           | 27,996               |
| State and formula grants                  |                      |                            |  |                                      | 7,309,082  | 0                               | 7,309,082            |
| <b>Change in net position</b>             |                      |                            |  |                                      | <b>(45,491)</b>                                      | <b>209,754</b>                  | <b>164,263</b>       |
| Net position at July 1, 2013, as restated |                      |                            |  |                                      | 9,315,219  | 848,843                         | 10,164,062           |
| Net position at June 30, 2014             |                      |                            |  |                                      | <b>\$ 9,269,728</b>                                  | <b>\$ 1,058,597</b>             | <b>\$ 10,328,325</b> |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2014

|  | General<br>Fund     | Special<br>Revenue<br>Fund | Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| <b>ASSETS AND RESOURCES:</b>               |                     |                            |                      |                                |                                |
| Cash and cash equivalents                  | \$ 2,177,747        | \$ 24,730                  | \$ 814,309           | \$ 1,583                       | \$ 3,018,369                   |
| Accounts receivable:                       |                     |                            |                      |                                |                                |
| Taxes - current                            | 126,362             | 0                          | 0                    | 0                              | 126,362                        |
| Taxes - delinquent                         | 3,598               | 0                          | 0                    | 0                              | 3,598                          |
| Accounts receivable                        | 34,253              | 1,152                      | 0                    | 0                              | 35,405                         |
| Interest receivable                        | 13                  | 0                          | 0                    | 0                              | 13                             |
| Intergovernmental - state                  | 0                   | 795                        | 0                    | 0                              | 795                            |
| Intergovernmental - indirect federal       | 1,427               | 229,214                    | 0                    | 0                              | 230,641                        |
| Prepaid expenses                           | 82,863              | 0                          | 0                    | 0                              | 82,863                         |
| <b>TOTAL ASSETS AND RESOURCES</b>          | <b>\$ 2,426,263</b> | <b>\$ 255,891</b>          | <b>\$ 814,309</b>    | <b>\$ 1,583</b>                | <b>\$ 3,498,046</b>            |
| <b>LIABILITIES AND FUND BALANCE:</b>       |                     |                            |                      |                                |                                |
| <b>LIABILITIES:</b>                        |                     |                            |                      |                                |                                |
| Accounts payable                           | \$ 161,090          | \$ 9,362                   | \$ 161,620           | \$ 0                           | \$ 332,072                     |
| Unearned grant revenue                     | 0                   | 246,529                    | 0                    | 0                              | 246,529                        |
| Current portion of accrued sick leave      | 21,338              | 0                          | 0                    | 0                              | 21,338                         |
| <b>TOTAL LIABILITIES</b>                   | <b>182,428</b>      | <b>255,891</b>             | <b>161,620</b>       | <b>0</b>                       | <b>599,939</b>                 |
| <b>FUND BALANCES:</b>                      |                     |                            |                      |                                |                                |
| Nonspendable:                              |                     |                            |                      |                                |                                |
| Prepays                                    | 82,863              | 0                          | 0                    | 0                              | 82,863                         |
| Restricted:                                |                     |                            |                      |                                |                                |
| Construction                               | 0                   | 0                          | 652,689              | 0                              | 652,689                        |
| Debt service                               | 0                   | 0                          | 0                    | 1,583                          | 1,583                          |
| Committed:                                 |                     |                            |                      |                                |                                |
| SBDM carryover                             | 71,864              | 0                          | 0                    | 0                              | 71,864                         |
| Unassigned                                 | 2,089,108           | 0                          | 0                    | 0                              | 2,089,108                      |
| <b>TOTAL FUND BALANCES</b>                 | <b>2,243,835</b>    | <b>0</b>                   | <b>652,689</b>       | <b>1,583</b>                   | <b>2,898,107</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,426,263</b> | <b>\$ 255,891</b>          | <b>\$ 814,309</b>    | <b>\$ 1,583</b>                | <b>\$ 3,498,046</b>            |

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2014

|  |             |
|--|-------------|
| Total fund balance per fund financial statements | \$2,898,107 |
|--|-------------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

|                          |                     |            |
|--------------------------|---------------------|------------|
| Cost                     | 25,400,182          |            |
| Accumulated depreciation | <u>(11,764,451)</u> | 13,635,731 |

|   |         |
|---|---------|
| Deferred loss from refunding bonds that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet. | 378,260 |
|---|---------|

|   |          |
|---|----------|
| Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position. | (51,706) |
|---|----------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

|                            |                  |                    |
|----------------------------|------------------|--------------------|
| Bond and lease obligations | (7,054,741)      |                    |
| KISTA notes payable        | (129,890)        |                    |
| KSBIT payable              | (233,388)        |                    |
| Accrued sick leave payable | <u>(172,645)</u> | <u>(7,590,664)</u> |

|  |                            |
|--|----------------------------|
| Net position for governmental activities | <u><u>\$ 9,269,728</u></u> |
|--|----------------------------|

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2014

|   | General<br>Fund     | Special<br>Revenue<br>Fund | Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                     |                            |                      |                                |                                |
| From Local Sources:   |                     |                            |                      |                                |                                |
| Taxes:  |                     |                            |                      |                                |                                |
| Property  | \$ 1,813,369        | \$ 0                       | \$ 0                 | \$ 349,752                     | \$ 2,163,121                   |
| Motor Vehicle   | 272,744             | 0                          | 0                    | 0                              | 272,744                        |
| Utilities   | 663,205             | 0                          | 0                    | 0                              | 663,205                        |
| In Lieu of  | 108,304             | 0                          | 0                    | 0                              | 108,304                        |
| Earnings on Investments   | 24,032              | 0                          | 0                    | 1                              | 24,033                         |
| Other local revenues  | 78,623              | 84,496                     | 0                    | 0                              | 163,119                        |
| Intergovernmental - State   | 10,022,498          | 536,000                    | 0                    | 895,763                        | 11,454,261                     |
| Intergovernmental - indirect federal  | 187,386             | 1,397,226                  | 0                    | 0                              | 1,584,612                      |
| <b>TOTAL REVENUES</b>   | <b>13,170,161</b>   | <b>2,017,722</b>           | <b>0</b>             | <b>1,245,516</b>               | <b>16,433,399</b>              |
| <b>EXPENDITURES:</b>  |                     |                            |                      |                                |                                |
| Current:  |                     |                            |                      |                                |                                |
| Instruction   | 8,299,857           | 1,684,381                  | 0                    | 0                              | 9,984,238                      |
| Support Services:   |                     |                            |                      |                                |                                |
| Student   | 414,816             | 0                          | 0                    | 0                              | 414,816                        |
| Instructional Staff   | 728,234             | 112,473                    | 0                    | 0                              | 840,707                        |
| District Administration   | 712,713             | 0                          | 0                    | 0                              | 712,713                        |
| School Administration   | 908,085             | 0                          | 0                    | 0                              | 908,085                        |
| Business  | 176,859             | 0                          | 0                    | 0                              | 176,859                        |
| Plant operations and maintenance  | 1,932,122           | 39,866                     | 0                    | 0                              | 1,971,988                      |
| Student transportation  | 781,633             | 0                          | 0                    | 0                              | 781,633                        |
| Food service  | 0                   | 8,207                      | 0                    | 0                              | 8,207                          |
| Community service activities  | 0                   | 195,387                    | 0                    | 0                              | 195,387                        |
| Facilities acquisition and construction   | 0                   | 0                          | 325,232              | 0                              | 325,232                        |
| Debt service  | 0                   | 0                          | 0                    | 812,058                        | 812,058                        |
| <b>TOTAL EXPENDITURES</b>   | <b>13,954,319</b>   | <b>2,040,314</b>           | <b>325,232</b>       | <b>812,058</b>                 | <b>17,131,923</b>              |
| Excess (deficit) of revenues<br>over expenditures   | (784,158)           | (22,592)                   | (325,232)            | 433,458                        | (698,524)                      |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                     |                            |                      |                                |                                |
| Proceeds from bonds   | 0                   | 0                          | 562,336              | 0                              | 562,336                        |
| Operating transfers in  | 125,343             | 22,592                     | 415,585              | 807,073                        | 1,370,593                      |
| Operating transfers out   | (130,064)           | 0                          | 0                    | (1,240,529)                    | (1,370,593)                    |
| <b>TOTAL OTHER FINANCING<br/>    SOURCES (USES)</b>   | <b>(4,721)</b>      | <b>22,592</b>              | <b>977,921</b>       | <b>(433,456)</b>               | <b>562,336</b>                 |
| Excess (deficit) of revenues and other<br>financing sources over expenditures<br>and other financing uses | (788,879)           | 0                          | 652,689              | 2                              | (136,188)                      |
| <b>Fund Balance, July 1, 2013</b>   | <b>3,032,714</b>    | <b>0</b>                   | <b>0</b>             | <b>1,581</b>                   | <b>3,034,295</b>               |
| <b>Fund Balance, June 30, 2014</b>  | <b>\$ 2,243,835</b> | <b>\$ 0</b>                | <b>\$ 652,689</b>    | <b>\$ 1,583</b>                | <b>\$ 2,898,107</b>            |

See independent auditor's report and accompanying notes to financial statements



MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2014

|   |  |              |
|---|--|--------------|
| Net change in total fund balances per fund financial statements |  | \$ (136,188) |
|---|--|--------------|

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.

|                      |                |          |
|----------------------|----------------|----------|
| Depreciation expense | (740,253)      |          |
| Capital outlays      | <u>696,894</u> | (43,359) |

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

|                |                |        |
|----------------|----------------|--------|
| Bond proceeds  | (562,336)      |        |
| Principal paid | <u>652,062</u> | 89,726 |

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

|   |                 |          |
|---|-----------------|----------|
| Amortization of deferred loss on early retirement of debt | (37,951)        |          |
| Amortization of bond discounts                            | <u>(19,506)</u> | (57,457) |

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

|                    |                |                |
|--------------------|----------------|----------------|
| Interest payable   | 493            |                |
| Accrued sick leave | <u>101,294</u> | <u>101,787</u> |

|   |  |                           |
|---|--|---------------------------|
| Change in net position of governmental activities |  | <u><u>\$ (45,491)</u></u> |
|---|--|---------------------------|

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014

|  | Food<br>Service<br>Fund    |
|--|----------------------------|
| <b>ASSETS:</b>                           |                            |
| <b>Current Assets</b>                    |                            |
| Cash and cash equivalents                | \$ 651,382                 |
| Accounts receivable:                     |                            |
| Accounts receivable                      | 308                        |
| Intergovernmental - indirect federal     | 19,523                     |
| Inventory                                | 57,436                     |
| <b>Total current assets</b>              | <u>728,649</u>             |
| <b>Noncurrent Assets</b>                 |                            |
| Capital assets                           | 748,400                    |
| Less: accumulated depreciation           | <u>(408,969)</u>           |
| <b>Total noncurrent assets</b>           | <u>339,431</u>             |
| TOTAL ASSETS                             | <u><u>\$ 1,068,080</u></u> |
| <b>LIABILITIES:</b>                      |                            |
| <b>Current Liabilities</b>               |                            |
| Accounts payable                         | \$ 2,517                   |
| Current portion of accrued sick leave    | 766                        |
| <b>Total current liabilities</b>         | <u>3,283</u>               |
| <b>Noncurrent Liabilities</b>            |                            |
| Noncurrent portion of accrued sick leave | <u>6,200</u>               |
| <b>Total noncurrent liabilities</b>      | <u>6,200</u>               |
| TOTAL LIABILITIES                        | <u><u>\$ 9,483</u></u>     |
| <b>Net Position</b>                      |                            |
| Net investment in capital assets         | \$ 339,431                 |
| Restricted for food service              | 719,166                    |
| TOTAL NET POSITION                       | <u><u>\$ 1,058,597</u></u> |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

|   | Food<br>Service<br>Fund    |
|---|----------------------------|
| <b>Operating Revenues:</b>                |                            |
| Lunchroom sales                           | \$ 80,726                  |
| Other operating revenues                  | 6,287                      |
| <b>Total operating revenues</b>           | <u>87,013</u>              |
| <b>Operating Expenses:</b>                |                            |
| Salaries and benefits                     | 484,039                    |
| Contract services                         | 42,155                     |
| Materials and supplies                    | 539,100                    |
| Depreciation                              | 55,127                     |
| Expendable equipment                      | 149                        |
| Other operating expenses                  | 100                        |
| <b>Total operating expenses</b>           | <u>1,120,670</u>           |
| Operating income (loss)                   | <u>(1,033,657)</u>         |
| <b>Non-Operating Revenues (Expenses):</b> |                            |
| Federal grants                            | 1,098,466                  |
| Donated commodities                       | 55,182                     |
| State grants                              | 85,800                     |
| Interest income                           | 3,963                      |
| <b>Total non-operating revenues</b>       | <u>1,243,411</u>           |
| Change in net position                    | 209,754                    |
| <b>Net Position, July 1, 2013</b>         | <u>848,843</u>             |
| <b>Net Position, June 30, 2014</b>        | <u><u>\$ 1,058,597</u></u> |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

|   | Food<br>Service<br>Fund |
|---|-------------------------|
| <b>Cash Flows from Operating Activities:</b>  |                         |
| Cash received from:   |                         |
| Lunchroom sales   | \$ 80,726               |
| Other operating revenues  | 6,591                   |
| Cash paid to/for:   |                         |
| Employees   | (414,997)               |
| Contract services   | (43,352)                |
| Materials and supplies  | (508,009)               |
| Expendable equipment  | (149)                   |
| Other operating expenses  | (100)                   |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(879,290)</b>        |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |                         |
| Operating grants received   | 1,180,700               |
| <b>Net cash provided by (used in)</b><br><b>non-capital financing activities</b>                            | <b>1,180,700</b>        |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |                         |
| Purchases of capital assets   | (2,848)                 |
| <b>Net cash provided by (used in)</b><br><b>capital and related financing activities</b>                    | <b>(2,848)</b>          |
| <b>Cash Flows from Investing Activities:</b>  |                         |
| Interest income received  | 3,963                   |
| <b>Net cash provided by (used in) investing activities</b>  | <b>3,963</b>            |
| Net increase (decrease) in cash and cash equivalents  | 302,525                 |
| <b>Cash and cash equivalents, July 1, 2013</b>  | <b>348,857</b>          |
| <b>Cash and cash equivalents, June 30, 2014</b>   | <b>\$ 651,382</b>       |
| Reconciliation of operating income (loss)<br>to net cash provided by (used in) operating activities:        |                         |
| Operating income (loss)   | \$ (1,033,657)          |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used in) operating activities: |                         |
| Depreciation  | 55,127                  |
| Commodities used  | 55,182                  |
| On-behalf payments  | 74,597                  |
| Changes in assets and liabilities:  |                         |
| Inventory   | (24,254)                |
| Accounts receivable   | 304                     |
| Accounts payable  | (1,034)                 |
| Accrued sick leave  | (5,555)                 |
| <b>Net cash provided by (used in) operating activities</b>  | <b>\$ (879,290)</b>     |
| <b>Non-Cash Investing, Capital, and Financing Activities:</b>   |                         |
| Food commodities received   | \$ 55,182               |
| On-behalf payments  | 74,597                  |
| <b>Total Non-Cash Investing, Capital, and Financing Activities</b>  | <b>\$ 129,779</b>       |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2014

|                                       | Private<br>Purpose<br>Trust<br>Funds | Agency<br>Fund          |
|---------------------------------------|--------------------------------------|-------------------------|
|                                       | <u>          </u>                    | <u>          </u>       |
| <b>ASSETS:</b>                        |                                      |                         |
| Cash and cash equivalents             | \$ 83,641                            | \$ 96,417               |
| Accounts receivable                   | <u>0</u>                             | <u>640</u>              |
| <b>Total Assets</b>                   | <u><u>\$ 83,641</u></u>              | <u><u>\$ 97,057</u></u> |
| <br><b>LIABILITIES:</b>               |                                      |                         |
| Accounts payable                      | \$ 0                                 | \$ 3,447                |
| Due to student groups                 | <u>0</u>                             | <u>93,610</u>           |
| <b>Total Liabilities</b>              | <u><u>\$ 0</u></u>                   | <u><u>\$ 97,057</u></u> |
| <br><b>NET POSITION HELD IN TRUST</b> | <u><u>\$ 83,641</u></u>              | <u><u>\$ 0</u></u>      |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2014

|                                    | Private<br>Purpose<br>Trust<br>Funds |
|------------------------------------|--------------------------------------|
|                                    | <u>                    </u>          |
| <b>Additions:</b>                  |                                      |
| Interest income                    | \$ 48                                |
| Contributions received             | <u>20,303</u>                        |
| <b>Total Additions</b>             | <u>20,351</u>                        |
| <br><b>Deductions:</b>             |                                      |
| Benefits paid                      | <u>26,650</u>                        |
| <b>Total Deductions</b>            | <u>26,650</u>                        |
| Change in net position             | (6,299)                              |
| <b>Net position, July 1, 2013</b>  | <u>89,940</u>                        |
| <b>Net position, June 30, 2014</b> | <u><u>\$ 83,641</u></u>              |

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2014

**NOTE A – REPORTING ENTITY**

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.



**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$55,182 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.683 per \$100 valuation for real property, \$.683 per \$100 valuation for business personal property and \$.689 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2014 consisted of fleet, property, umbrella, and superintendent's life insurance and fidelity and blanket bonds paid during the fiscal year ended June 30, 2014 that included coverage for periods beyond June 30, 2014.

Debt Costs

Unamortized discounts of \$87,259 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of \$5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). The District does not possess any infrastructure. Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

| <u>Description</u>         | <u>Governmental Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years  |
| Land improvements          | 20 years   |
| Technology equipment       | 5 years  |
| Vehicles                   | 5-10 years   |
| Audio-visual equipment     | 15 years   |
| Food service equipment     | 10-12 years  |
| Furniture and fixtures     | 7 years  |
| Rolling stock              | 15 years   |
| Other                      | 10 years   |

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement became effective for financial statements for periods beginning after December 15, 2012. The effect on the current year financial statements was to reclassify unamortized bond issue costs (previously reported as other assets). The amount that had been reported on the June 30, 2013 financial statements as unamortized bond issue costs was \$73,002. The beginning unrestricted net position was re-stated to reduce it by \$73,002.

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. These amounts are not being calculated for the year ended June 30, 2014, but could have a significant impact in the year of implementation, which will be the fiscal year ending June 30, 2015.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through October 10, 2014, the date the financial statements were available to be issued.

**NOTE C – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE D – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$3,849,809. The bank balance was \$4,656,699. Of the bank balance, \$251,583 was covered by Federal Depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$4,405,116 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
YEAR ENDED JUNE 30, 2014

**Note E - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

| Governmental Activities                       | Balance<br>July 1, 2013 | Additions          | Retirements       | Balance<br>June 30, 2014 |
|---|-------------------------|--------------------|-------------------|--------------------------|
| Capital Assets:                               |                         |                    |                   |                          |
| Land and improvements                         | \$ 1,603,259            | \$ 0               | \$ 0              | \$ 1,603,259             |
| Buildings and improvements                    | 19,286,693              | 23,653             | 0                 | 19,310,346               |
| Technology equipment                          | 1,759,662               | 142,746            | 0                 | 1,902,408                |
| Vehicles                                      | 1,160,145               | 176,642            | 0                 | 1,336,787                |
| General Equipment                             | 773,678                 | 210,797            | 0                 | 984,475                  |
| Construction                                  | 119,851                 | 318,343            | 175,287           | 262,907                  |
| Totals at historical cost                     | <u>24,703,288</u>       | <u>872,181</u>     | <u>175,287</u>    | <u>25,400,182</u>        |
| Less: Accumulated depreciation                |                         |                    |                   |                          |
| Land and improvements                         | 590,572                 | 6,503              | 0                 | 597,075                  |
| Buildings and improvements                    | 7,648,339               | 403,569            | 0                 | 8,051,908                |
| Technology equipment                          | 1,423,820               | 190,594            | 0                 | 1,614,414                |
| Vehicles                                      | 912,565                 | 76,691             | 0                 | 989,256                  |
| General equipment                             | 448,902                 | 62,896             | 0                 | 511,798                  |
| Total accumulated depreciation                | <u>11,024,198</u>       | <u>740,253</u>     | <u>0</u>          | <u>11,764,451</u>        |
| Governmental Activities Capital Assets - Net  | <u>\$ 13,679,090</u>    | <u>\$ 131,928</u>  | <u>\$ 175,287</u> | <u>\$ 13,635,731</u>     |
| Business-Type Activities                      |                         |                    |                   |                          |
| Capital Assets:                               |                         |                    |                   |                          |
| Technology equipment                          | \$ 28,478               | \$ 0               | \$ 0              | \$ 28,478                |
| General Equipment                             | 717,074                 | 2,848              | 0                 | 719,922                  |
| Totals at historical cost                     | <u>745,552</u>          | <u>2,848</u>       | <u>0</u>          | <u>748,400</u>           |
| Less: Accumulated depreciation                |                         |                    |                   |                          |
| Technology equipment                          | 19,424                  | 4,197              | 0                 | 23,621                   |
| General Equipment                             | 334,418                 | 50,930             | 0                 | 385,348                  |
| Total accumulated depreciation                | <u>353,842</u>          | <u>55,127</u>      | <u>0</u>          | <u>408,969</u>           |
| Business-Type Activities Capital Assets - Net | <u>\$ 391,710</u>       | <u>\$ (52,279)</u> | <u>\$ 0</u>       | <u>\$ 339,431</u>        |

Depreciation expense was charged to governmental functions as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Instructional                        | \$ 525,104        |
| Student support services             | 10,582            |
| Instructional staff support services | 23,396            |
| District administration              | 14,772            |
| School administration                | 3,628             |
| Business                             | 35,116            |
| Plant operation and maintenance      | 64,936            |
| Student transportation               | 61,661            |
| Community services                   | 1,058             |
| Total depreciation expense           | <u>\$ 740,253</u> |



**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE F – GENERAL LONG-TERM OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

Following is a schedule of obligations existing at June 30, 2014:

| <u>Issue Date</u>          | <u>Maturity Date</u> | <u>Interest Rates</u> | <u>Amount Outstanding</u> |
|----------------------------|----------------------|-----------------------|---------------------------|
| March 1, 2004              | January 1, 2016      | 2.000% - 4.200%       | \$ 875,000                |
| January 1, 2005 KISTA      | January 1, 2015      | 3.000% - 3.625%       | 12,309                    |
| January 1, 2006 KISTA      | January 1, 2016      | 3.300% - 4.000%       | 12,336                    |
| September 1, 2006 KISTA    | September 1, 2017    | 3.500% - 3.875%       | 21,125                    |
| February 1, 2008 refunding | February 1, 2017     | 2.350% - 3.125%       | 280,000                   |
| January 1, 2009 KISTA      | January 1, 2019      | 2.000% - 3.900%       | 36,929                    |
| December 1, 2009 KISTA     | December 1, 2019     | 2.000% - 3.600%       | 47,191                    |
| March 20, 2012, refunding  | March 1, 2024        | 0.600% - 2.300%       | 5,405,000                 |
| February 1, 2014           | February 1, 2034     | 1.500% - 4.000%       | 582,000                   |
|                            |                      |                       | <u>\$ 7,271,890</u>       |

In 1997 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. The defeased bonds were paid during the year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow or resources. Total deferred costs were \$454,162. Amortization for the year was \$37,951 and is included as a component of interest expense.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE F – GENERAL LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are as follows:

| Year      | Mayfield Independent<br>School District |                   | Kentucky School Facility<br>Construction Commission |                   | Total               |
|-----------|---|-------------------|---|-------------------|---------------------|
|           | Principal                               | Interest          | Principal   | Interest          |                     |
| 2014-2015 | \$ 640,549                              | \$ 137,724        | \$ 45,679   | \$ 20,149         | \$ 844,101          |
| 2015-2016 | 647,247                                 | 118,841           | 44,297  | 21,728            | 832,113             |
| 2016-2017 | 631,004                                 | 99,104            | 44,959  | 20,721            | 795,788             |
| 2017-2018 | 635,091                                 | 89,744            | 39,108  | 19,993            | 783,936             |
| 2018-2019 | 639,067                                 | 81,161            | 39,304  | 19,436            | 778,968             |
| 2019-2020 | 647,036                                 | 70,643            | 39,549  | 18,832            | 776,060             |
| 2020-2021 | 644,139                                 | 57,581            | 40,861  | 17,825            | 760,406             |
| 2021-2022 | 663,822                                 | 44,699            | 42,178  | 16,782            | 767,481             |
| 2022-2023 | 673,482                                 | 30,758            | 42,518  | 15,689            | 762,447             |
| 2023-2024 | 693,120                                 | 15,942            | 43,880  | 14,571            | 767,513             |
| 2024-2025 | 0                                       | 0                 | 28,000  | 13,400            | 41,400              |
| 2025-2026 | 0                                       | 0                 | 29,000  | 12,280            | 41,280              |
| 2026-2027 | 0                                       | 0                 | 30,000  | 11,120            | 41,120              |
| 2027-2028 | 0                                       | 0                 | 31,000  | 9,920             | 40,920              |
| 2028-2029 | 0                                       | 0                 | 33,000  | 8,680             | 41,680              |
| 2029-2030 | 0                                       | 0                 | 34,000  | 7,360             | 41,360              |
| 2030-2031 | 0                                       | 0                 | 35,000  | 6,000             | 41,000              |
| 2031-2032 | 0                                       | 0                 | 37,000  | 4,600             | 41,600              |
| 2032-2033 | 0                                       | 0                 | 38,000  | 3,120             | 41,120              |
| 2033-2034 | 0                                       | 0                 | 40,000  | 1,600             | 41,600              |
|           | <u>\$ 6,514,557</u>                     | <u>\$ 746,197</u> | <u>\$ 757,333</u>                                   | <u>\$ 263,806</u> | <u>\$ 8,281,893</u> |

Interest incurred and charged to expense for fiscal year ended June 30, 2014 was \$197,454.

A summary of changes in long-term debt is as follows:

| Type                        | Balance<br>June 30, 2013 | Increases         | Decreases         | Balance<br>June 30, 2014 | Due Within<br>One Year |
|-----------------------------|--------------------------|-------------------|-------------------|--------------------------|------------------------|
| Bonds payable               | \$ 7,160,000             | \$ 582,000        | \$ 600,000        | \$ 7,142,000             | \$ 645,000             |
| Less: Unamortized discounts | (87,101)                 | (6,984)           | (6,826)           | (87,259)                 | (7,175)                |
| Capital lease - KISTA       | 181,952                  | 0                 | 52,062            | 129,890                  | 41,228                 |
| KSBIT payable               | 233,388                  | 0                 | 0                 | 233,388                  | 58,347                 |
| Sick leave                  | <u>307,796</u>           | <u>0</u>          | <u>113,813</u>    | <u>193,983</u>           | <u>21,338</u>          |
| Totals                      | <u>\$ 7,796,035</u>      | <u>\$ 575,016</u> | <u>\$ 759,049</u> | <u>\$ 7,612,002</u>      | <u>\$ 758,738</u>      |

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE G – RETIREMENT PLANS**

***Plan Descriptions***

The Mayfield Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

***Funding Policy***

Contribution rates are established by KRS. Members of KTRS are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Mayfield Independent School District provides a contribution of 18.89% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

***Medical Insurance Plan***

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE G – RETIREMENT PLANS – CONTINUED**

The Mayfield Independent School District's total payroll for the year was \$9,901,794. The payroll for employees covered under KTRS was \$7,301,694 and for CERS was \$2,506,148. For the year ended June 30, 2014, the Commonwealth contributed \$870,124 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2014 was \$106,512, which represents those employees covered by federal programs. The contributions required and paid to KTRS by the District for the years ended June 30, 2013 and 2012 were \$99,287 and \$96,558, respectively. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2014 was \$598,718 which consisted of \$473,411 from the Board and \$125,307 from the employees. The contributions required and paid to CERS for the years ended June 30, 2013 and 2012 were \$579,491 and \$556,136, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION**

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2014:

|   |                     |
|---|---------------------|
| Contributions to Kentucky Teachers' Retirement System   | \$ 870,124          |
| Technology  | 32,009              |
| SFCC Debt Service   | 24,503              |
| Health insurance, life insurance, flexible spending accounts<br>(includes administrative fee) | <u>1,883,815</u>    |
| Total   | \$ <u>2,810,451</u> |

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Instruction                      | \$ 1,879,697        |
| Support services:                |                     |
| Student                          | 74,072              |
| Instructional staff              | 134,968             |
| District administration          | 70,849              |
| School administration            | 217,403             |
| Business                         | 60,713              |
| Plant operations and maintenance | 171,078             |
| Student transportation           | 102,571             |
| Debt service                     | 24,503              |
| Food services                    | <u>74,597</u>       |
| Total                            | \$ <u>2,810,451</u> |

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE I – COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

**NOTE J – INSURANCE AND RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE K - COBRA**

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION**

In November, 2013, the District received approval of a form BG-1 for an addition to the Mayfield Elementary School. The original BG-1 was for \$1,040,375. A revision in April, 2014 decreased the amount to \$975,392. Contracts were signed for \$630,720 with the contractor and for \$54,634 with the architect. Purchase orders for materials in the amount of \$107,580 have been approved. As of the balance sheet date, \$246,268 had been completed under the terms of these contracts and purchase orders and is included in the statement of net position as construction in progress.

**NOTE M – INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payable for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly. There were no interfund receivables or payables at June 30, 2014.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2014

**NOTE N - TRANSFER OF FUNDS**

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

| <u>Type</u> | <u>From Fund</u> | <u>To Fund</u>  | <u>Purpose</u>       | <u>Amount</u> |
|-------------|------------------|-----------------|----------------------|---------------|
| Matching    | General          | Special Revenue | Technology Match     | \$ 22,592     |
| Operating   | Capital Outlay   | Building Fund   | Debt Service         | 19,518        |
| Operating   | FSPK             | Debt Service    | Debt Service         | 729,287       |
| Operating   | FSPK             | Construction    | Construction Project | 366,381       |
| Operating   | Capital Outlay   | General         | Purchase of Buses    | 125,343       |
| Operating   | General          | Debt Service    | KISTA Debt Service   | 58,268        |
| Operating   | General          | Construction    | Construction Project | 49,204        |

**NOTE O – PRIOR PERIOD ADJUSTMENTS**

GASB Statement 65 required changes to the beginning balances of the District-Wide Statement of Net Position. Beginning net position of the governmental activities was decreased by \$73,002 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

The District previously participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, were subject to the assessment. The formula for the assessment was based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. As of June 30, 2013, KSBIT had submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance had not approved the plan as of June 30, 2013 and until the plan was approved, no assessment was finalized and no amount was accrued in the financial statements. Subsequent to June 30, 2014, the Board was notified of the assessment amount of \$233,388 and signed an agreement to pay 25% by September 1, 2014, with the remainder to be paid in equal payments over a six year period beginning August 31, 2015. Beginning net position of the governmental activities was decreased by \$233,388 to record this liability as a prior period adjustment.

|   |                     |
|---|---------------------|
| Net Position, Beginning of Year, as Originally Stated         | \$ 9,621,609        |
| Adjustments for Prior Period:                                 |                     |
| Implementation of GASB 65, elimination of bond issuance costs | (73,002)            |
| Record KSBIT assessment as long-term liability                | <u>(233,388)</u>    |
| Net Position, Beginning of Year, as Restated                  | <u>\$ 9,315,219</u> |

## **REQUIRED SUPPLEMENTARY INFORMATION**

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2014

|   | Budgeted Amounts   |                    |                     | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|---------------------|--|
|   | Original           | Final              | Actual              |  |
| <b>REVENUES:</b>  |                    |                    |                     |  |
| From Local Sources:   |                    |                    |                     |  |
| Taxes:  |                    |                    |                     |  |
| Property  | \$ 1,680,000       | \$ 1,680,000       | \$ 1,813,369        | \$ 133,369   |
| Motor Vehicle   | 220,000            | 220,000            | 272,744             | 52,744   |
| Utilities   | 600,000            | 600,000            | 663,205             | 63,205   |
| In Lieu of  | 50,000             | 50,000             | 108,304             | 58,304   |
| Earnings on Investments   | 30,000             | 30,000             | 24,032              | (5,968)  |
| Other local revenues  | 0                  | 0                  | 78,623              | 78,623   |
| Intergovernmental - State   | 7,090,184          | 7,090,184          | 10,022,498          | 2,932,314  |
| Intergovernmental - Indirect Federal  | 30,000             | 30,000             | 187,386             | 157,386  |
| <b>TOTAL REVENUES</b>   | <b>9,700,184</b>   | <b>9,700,184</b>   | <b>13,170,161</b>   | <b>3,469,977</b>   |
| <b>EXPENDITURES:</b>  |                    |                    |                     |  |
| Current:  |                    |                    |                     |  |
| Instruction   | 6,395,997          | 6,395,997          | 8,299,857           | (1,903,860)  |
| Support Services:   |                    |                    |                     |  |
| Student   | 310,978            | 310,978            | 414,816             | (103,838)  |
| Instructional Staff   | 666,955            | 666,955            | 728,234             | (61,279)   |
| District Administration   | 1,151,827          | 1,151,827          | 712,713             | 439,114  |
| School Administration   | 741,663            | 741,663            | 908,085             | (166,422)  |
| Business  | 103,356            | 103,356            | 176,859             | (73,503)   |
| Plant operations and maintenance  | 1,893,037          | 1,893,037          | 1,932,122           | (39,085)   |
| Student transportation  | 547,296            | 785,896            | 781,633             | 4,263  |
| Debt service  | 238,600            | 0                  | 0                   | 0  |
| Contingency   | 866,175            | 866,175            | 0                   | 866,175  |
| <b>TOTAL EXPENDITURES</b>   | <b>12,915,884</b>  | <b>12,915,884</b>  | <b>13,954,319</b>   | <b>(1,038,435)</b>   |
| Excess (deficit) of revenues<br>over expenditures   | <b>(3,215,700)</b> | <b>(3,215,700)</b> | <b>(784,158)</b>    | <b>2,431,542</b>   |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                    |                    |                     |  |
| Operating transfers in  | 434,700            | 434,700            | 125,343             | (309,357)  |
| Operating transfers out   | (94,000)           | (94,000)           | (130,064)           | (36,064)   |
| <b>TOTAL OTHER FINANCING<br/>    SOURCES (USES)</b>   | <b>340,700</b>     | <b>340,700</b>     | <b>(4,721)</b>      | <b>(345,421)</b>   |
| Excess (deficit) of revenues and other<br>financing sources over expenditures<br>and other financing uses | <b>(2,875,000)</b> | <b>(2,875,000)</b> | <b>(788,879)</b>    | <b>2,086,121</b>   |
| <b>Fund Balance, July 1, 2013</b>   | <b>2,875,000</b>   | <b>2,875,000</b>   | <b>3,032,714</b>    | <b>157,714</b>   |
| <b>Fund Balance, June 30, 2014</b>  | <b>\$ 0</b>        | <b>\$ 0</b>        | <b>\$ 2,243,835</b> | <b>\$ 2,243,835</b>  |

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,711,351 from the state are included in both revenues and expenditures in the actual column;  
however, this amount was not required to be included in the budget.



MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2014

|   | Budgeted Amounts |                  |                  | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|---|------------------|------------------|------------------|--|
|   | Original         | Final            | Actual           |  |
| <b>REVENUES:</b>  |                  |                  |                  |  |
| From Local Sources:   |                  |                  |                  |  |
| Other local revenues  | \$ 79            | \$ 79            | \$ 84,496        | \$ 84,417  |
| Intergovernmental - State   | 552,885          | 551,075          | 536,000          | (15,075)   |
| Intergovernmental - Indirect federal  | 1,463,956        | 1,462,354        | 1,397,226        | (65,128)   |
| <b>TOTAL REVENUES</b>   | <u>2,016,920</u> | <u>2,013,508</u> | <u>2,017,722</u> | <u>4,214</u>   |
| <b>EXPENDITURES:</b>  |                  |                  |                  |  |
| Current:  |                  |                  |                  |  |
| Instruction   | 1,724,021        | 1,717,692        | 1,684,381        | 33,311   |
| Support Services:   |                  |                  |                  |  |
| Instructional Staff   | 172,725          | 177,096          | 112,473          | 64,623   |
| Plant operations and maintenance  | 0                | 0                | 39,866           | (39,866)   |
| Food service  | 0                | 0                | 8,207            | (8,207)  |
| Community service activities  | 155,174          | 153,641          | 195,387          | (41,746)   |
| <b>TOTAL EXPENDITURES</b>   | <u>2,051,920</u> | <u>2,048,429</u> | <u>2,040,314</u> | <u>8,115</u>   |
| Excess (deficit) of revenues<br>over expenditures   | <u>(35,000)</u>  | <u>(34,921)</u>  | <u>(22,592)</u>  | <u>12,329</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                  |                  |                  |  |
| Operating transfers in  | 35,000           | 35,000           | 22,592           | (12,408)   |
| <b>TOTAL OTHER FINANCING<br/>    SOURCES (USES)</b>   | <u>35,000</u>    | <u>35,000</u>    | <u>22,592</u>    | <u>(12,408)</u>  |
| Excess (deficit) of revenues and other<br>financing sources over expenditures<br>and other financing uses | 0                | 79               | 0                | (79)   |
| <b>Fund Balance, July 1, 2013</b>   | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>   |
| <b>Fund Balance, June 30, 2014</b>  | <u>\$ 0</u>      | <u>\$ 79</u>     | <u>\$ 0</u>      | <u>\$ (79)</u>   |

See independent auditor's report and accompanying notes to financial statements

## **OTHER SUPPLEMENTARY INFORMATION**

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2014

|  | FSPK<br>Fund | SEEK<br>Capital<br>Outlay<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------|-----------------------------------|-------------------------|--|
| <b>ASSETS AND RESOURCES:</b>                               |              |                                   |                         |  |
| Cash and cash equivalents                                  | \$ 0         | \$ 0                              | \$ 1,583                | \$ 1,583                                   |
| <b>TOTAL ASSETS AND RESOURCES</b>                          | <u>\$ 0</u>  | <u>\$ 0</u>                       | <u>\$ 1,583</u>         | <u>\$ 1,583</u>                            |
| <b>LIABILITIES AND FUND BALANCE:</b>                       |              |                                   |                         |  |
| <b>LIABILITIES:</b>  |              |                                   |                         |  |
| Accounts payable   | \$ 0         | \$ 0                              | \$ 0                    | \$ 0                                       |
| <b>TOTAL LIABILITIES</b>                                   | <u>0</u>     | <u>0</u>                          | <u>0</u>                | <u>0</u>                                   |
| <b>EQUITY AND FUND BALANCES:</b>                           |              |                                   |                         |  |
| Restricted:  |              |                                   |                         |  |
| Construction   | 0            | 0                                 | 0                       | 0  |
| Debt service   | 0            | 0                                 | 1,583                   | 1,583                                      |
| <b>TOTAL FUND BALANCES</b>                                 | <u>0</u>     | <u>0</u>                          | <u>1,583</u>            | <u>1,583</u>                               |
| <b>TOTAL LIABILITIES AND<br/>            FUND BALANCES</b> | <u>\$ 0</u>  | <u>\$ 0</u>                       | <u>\$ 1,583</u>         | <u>\$ 1,583</u>                            |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2014

|   | FSPK<br>Fund       | SEEK<br>Capital<br>Outlay<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--------------------|-----------------------------------|-------------------------|--|
| REVENUES:   |                    |                                   |                         |  |
| From Local Sources:   |                    |                                   |                         |  |
| Taxes:  |                    |                                   |                         |  |
| Property  | \$ 349,752         | \$ 0                              | \$ 0                    | \$ 349,752                                 |
| Earnings on Investments   | 0                  | 0                                 | 1                       | 1  |
| Intergovernmental - State   | 726,398            | 144,861                           | 24,504                  | 895,763                                    |
| TOTAL REVENUES  | <u>1,076,150</u>   | <u>144,861</u>                    | <u>24,505</u>           | <u>1,245,516</u>                           |
| EXPENDITURES:   |                    |                                   |                         |  |
| Debt service  | 0                  | 0                                 | 812,058                 | 812,058                                    |
| TOTAL EXPENDITURES  | <u>0</u>           | <u>0</u>                          | <u>812,058</u>          | <u>812,058</u>                             |
| Excess (deficit) of revenues<br>over expenditures   | <u>1,076,150</u>   | <u>144,861</u>                    | <u>(787,553)</u>        | <u>433,458</u>                             |
| OTHER FINANCING SOURCES (USES):   |                    |                                   |                         |  |
| Operating transfers in  | 19,518             | 0                                 | 787,555                 | 807,073                                    |
| Operating transfers out   | (1,095,668)        | (144,861)                         | 0                       | (1,240,529)                                |
| TOTAL OTHER FINANCING<br>SOURCES (USES)   | <u>(1,076,150)</u> | <u>(144,861)</u>                  | <u>787,555</u>          | <u>(433,456)</u>                           |
| Excess (deficit) of revenues and other<br>financing sources over expenditures<br>and other financing uses | 0                  | 0                                 | 2                       | 2  |
| Fund Balance, July 1, 2013  | 0                  | 0                                 | 1,581                   | 1,581                                      |
| Fund Balance, June 30, 2014   | <u>\$ 0</u>        | <u>\$ 0</u>                       | <u>\$ 1,583</u>         | <u>\$ 1,583</u>                            |

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See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**

For the Year Ended June 30, 2014

|   | 2004<br>BONDS<br>FUND | 2008<br>BONDS<br>FUND | 2012<br>BONDS<br>FUND | KISTA         | Totals<br>Debt service<br>Fund |
|---|-----------------------|-----------------------|-----------------------|---------------|--------------------------------|
| REVENUES:   |                       |                       |                       |               |                                |
| Earnings on investments   | \$ 1                  | \$ 0                  | \$ 0                  | \$ 0          | \$ 1                           |
| Intergovernmental - State   | 12,671                | 7,235                 | 4,598                 | 0             | 24,504                         |
| <b>TOTAL REVENUES</b>   | <b>12,672</b>         | <b>7,235</b>          | <b>4,598</b>          | <b>0</b>      | <b>24,505</b>                  |
| EXPENDITURES:   |                       |                       |                       |               |                                |
| Debt Service:   |                       |                       |                       |               |                                |
| Principal   | 410,000               | 90,000                | 100,000               | 52,062        | 652,062                        |
| Interest  | 43,100                | 11,225                | 99,465                | 6,206         | 159,996                        |
| <b>TOTAL EXPENDITURES</b>   | <b>453,100</b>        | <b>101,225</b>        | <b>199,465</b>        | <b>58,268</b> | <b>812,058</b>                 |
| Excess (deficit) of revenues<br>over expenditures   | (440,428)             | (93,990)              | (194,867)             | (58,268)      | (787,553)                      |
| OTHER FINANCING SOURCES (USES):   |                       |                       |                       |               |                                |
| Operating transfers in  | 440,429               | 93,991                | 194,867               | 58,268        | 787,555                        |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | <b>440,429</b>        | <b>93,991</b>         | <b>194,867</b>        | <b>58,268</b> | <b>787,555</b>                 |
| Excess (deficit) of revenues and<br>other financing sources over<br>expenditures and other financing uses | 1                     | 1                     | 0                     | 0             | 2                              |
| Fund balance July 1, 2013   | 1,518                 | 38                    | 25                    | 0             | 1,581                          |
| Fund balance June 30, 2014  | <u>\$ 1,519</u>       | <u>\$ 39</u>          | <u>\$ 25</u>          | <u>\$ 0</u>   | <u>\$ 1,583</u>                |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS**  
June 30, 2014

|                            | Mayfield<br>Elementary<br>School | Mayfield<br>Middle<br>School | Mayfield<br>High<br>School | Totals<br>(Memorandum<br>Only) |
|----------------------------|----------------------------------|------------------------------|----------------------------|--------------------------------|
| ASSETS:                    |                                  |                              |                            |                                |
| Cash and cash equivalents  | \$ 25,751                        | \$ 37,974                    | \$ 32,692                  | \$ 96,417                      |
| Accounts Receivable        | 54                               | 160                          | 426                        | 640                            |
|                            | <u>          </u>                | <u>          </u>            | <u>          </u>          | <u>          </u>              |
| TOTAL ASSETS               | <u>\$ 25,805</u>                 | <u>\$ 38,134</u>             | <u>\$ 33,118</u>           | <u>\$ 97,057</u>               |
| LIABILITIES:               |                                  |                              |                            |                                |
| Accounts Payable           | \$ 1,441                         | \$ 1,862                     | \$ 144                     | \$ 3,447                       |
| Due to Student Groups      | 24,364                           | 36,272                       | 32,974                     | 93,610                         |
| TOTAL LIABILITIES          | <u>\$ 25,805</u>                 | <u>\$ 38,134</u>             | <u>\$ 33,118</u>           | <u>\$ 97,057</u>               |
| NET POSITION HELD IN TRUST | <u>\$ 0</u>                      | <u>\$ 0</u>                  | <u>\$ 0</u>                | <u>\$ 0</u>                    |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2014

|   | Mayfield<br>Elementary<br>School | Mayfield<br>Middle<br>School | Mayfield<br>High<br>School | Totals<br>(Memorandum<br>only) |
|---|----------------------------------|------------------------------|----------------------------|--------------------------------|
| REVENUES:   |                                  |                              |                            |                                |
| From local sources:                               |                                  |                              |                            |                                |
| Earnings on Investments                           | \$ 76                            | \$ 107                       | \$ 148                     | \$ 331                         |
| Student activities                                | 56,861                           | 122,058                      | 349,459                    | 528,378                        |
| Total Revenues                                    | 56,937                           | 122,165                      | 349,607                    | 528,709                        |
| EXPENDITURES                                      |                                  |                              |                            |                                |
| Student Activities                                | 54,649                           | 115,569                      | 347,698                    | 517,916                        |
| Total expenditures                                | 54,649                           | 115,569                      | 347,698                    | 517,916                        |
| Excess (deficit) of revenues<br>over expenditures | 2,288                            | 6,596                        | 1,909                      | 10,793                         |
| Due to student groups, July 1, 2013               | 22,076                           | 29,676                       | 31,065                     | 82,817                         |
| Due to student groups, June 30, 2014              | <u>\$ 24,364</u>                 | <u>\$ 36,272</u>             | <u>\$ 32,974</u>           | <u>\$ 93,610</u>               |

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED  
**STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS**  
**Mayfield High School**  
For the Year Ended June 30, 2014

|                           | <b>Cash Balance</b> | <b>Receipts</b>      |                      | <b>Disbursements</b> |                      |
|---------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|                           | <b>July 1, 2013</b> | <b>Actual</b>        | <b>Budget</b>        | <b>Actual</b>        | <b>Budget</b>        |
| General Fund              | \$ 3,523.78         | \$ 17,920.22         | \$ 4,925.00          | \$ 19,412.62         | \$ 8,425.00          |
| Cardinals Closet          | 103.34              | 450.00               | 400.00               | 356.75               | 700.00               |
| Student Council           | 672.99              | 317.65               | 300.00               | 574.97               | 972.99               |
| Physics Class             | 2,088.01            | 0.00                 | 0.00                 | 0.00                 | 2,088.00             |
| Drama                     | 0.00                | 1,781.45             | 1,250.00             | 1,781.45             | 1,414.71             |
| Teacher Fund              | 2,208.43            | 871.64               | 900.00               | 1,517.40             | 3,100.00             |
| Cultural Diversity        | 0.00                | 6,777.87             | 3,850.27             | 6,777.87             | 4,314.96             |
| Beta Club                 | 24.11               | 969.00               | 1,000.00             | 845.07               | 1,394.51             |
| Foreign Language          | 170.38              | 0.00                 | 300.00               | 91.03                | 470.38               |
| Key Club                  | 235.58              | 695.00               | 450.00               | 922.64               | 685.58               |
| FCA                       | 51.39               | 321.88               | 126.00               | 321.88               | 177.39               |
| FCCLA                     | 0.00                | 123.00               | 284.00               | 123.00               | 284.00               |
| FMD                       | 207.54              | 100.00               | 0.00                 | 181.17               | 315.00               |
| Band                      | 5,683.11            | 33,948.02            | 19,922.52            | 39,357.14            | 24,296.00            |
| Sunshine Fund             | 174.99              | 725.00               | 500.00               | 565.00               | 675.00               |
| Athletics                 | 1,447.46            | 253,082.90           | 202,275.00           | 247,439.81           | 203,275.00           |
| Class of 2014             | 405.81              | 279.00               | 0.00                 | 684.81               | 1,803.00             |
| Class of 2015             | 0.00                | 3,972.04             | 0.00                 | 3,474.03             | 0.00                 |
| Guidance                  | 4,095.13            | 12,846.50            | 3,650.00             | 11,563.80            | 6,650.00             |
| WMCTV                     | 536.86              | 40.00                | 425.00               | 127.29               | 1,020.41             |
| Special Olympics          | 763.49              | 0.00                 | 250.00               | 85.00                | 978.00               |
| Library Activities        | 265.43              | 324.70               | 200.00               | 374.30               | 241.29               |
| Arts and Humanities       | 391.00              | 0.00                 | 0.00                 | 0.00                 | 391.00               |
| AP History                | 91.31               | 5,667.23             | 5,048.50             | 5,687.89             | 5,980.00             |
| Shakespeare & Peers       | 745.68              | 1,460.88             | 130.00               | 1,025.25             | 875.68               |
| Rotary Interact           | 207.16              | 0.00                 | 250.00               | 0.00                 | 500.00               |
| Beatnik Café              | 418.90              | 29.00                | 0.00                 | 0.00                 | 418.00               |
| Publications              | 6,412.57            | 8,525.00             | 9,000.00             | 7,610.48             | 14,000.00            |
| Sportsman Club            | 1,502.47            | 7,698.00             | 3,065.00             | 7,760.35             | 5,728.00             |
| Subtotal                  | 32,426.92           | 358,925.98           | 258,501.29           | 358,661.00           | 291,173.90           |
| Less: Interfund Transfers | 0.00                | 9,598.83             | 0.00                 | 9,598.83             | 0.00                 |
| Total                     | <u>\$ 32,426.92</u> | <u>\$ 349,327.15</u> | <u>\$ 258,501.29</u> | <u>\$ 349,062.17</u> | <u>\$ 291,173.90</u> |

See independent auditor's report and accompanying notes to financial statements



|                          | <b>Cash Balance<br/>June 30, 2014</b> | <b>Accounts<br/>Receivable</b> | <b>Accounts<br/>Payable</b> | <b>Due to<br/>June 30, 2014</b> |
|--------------------------|---------------------------------------|--------------------------------|-----------------------------|---------------------------------|
| General Fund             | \$ 2,031.38                           | \$ 0.00                        | \$ 18.73                    | \$ 2,012.65                     |
| Cardinals Closet         | 196.59                                | 0.00                           | 0.00                        | 196.59                          |
| Student Council          | 415.67                                | 0.00                           | 0.00                        | 415.67                          |
| Physics Class            | 2,088.01                              | 0.00                           | 0.00                        | 2,088.01                        |
| Drama                    | 0.00                                  | 0.00                           | 0.00                        | 0.00                            |
| Teacher Fund             | 1,562.67                              | 31.77                          | 0.00                        | 1,594.44                        |
| Cultural Diversity       | 0.00                                  | 100.00                         | 0.00                        | 100.00                          |
| Beta Club                | 148.04                                | 0.00                           | 0.00                        | 148.04                          |
| Foreign Language         | 79.35                                 | 0.00                           | 0.00                        | 79.35                           |
| Key Club                 | 7.94                                  | 0.00                           | 0.00                        | 7.94                            |
| FCA                      | 51.39                                 | 0.00                           | 0.00                        | 51.39                           |
| FCCLA                    | 0.00                                  | 0.00                           | 0.00                        | 0.00                            |
| FMD                      | 126.37                                | 0.00                           | 0.00                        | 126.37                          |
| Band                     | 273.99                                | 0.00                           | 0.00                        | 273.99                          |
| Sunshine Fund            | 334.99                                | 0.00                           | 0.00                        | 334.99                          |
| Athletics                | 7,090.55                              | 292.00                         | 125.00                      | 7,257.55                        |
| Class of 2014            | 0.00                                  | 0.00                           | 0.00                        | 0.00                            |
| Class of 2015            | 498.01                                | 0.00                           | 0.00                        | 498.01                          |
| Guidance                 | 5,377.83                              | 2.00                           | 0.00                        | 5,379.83                        |
| WMCTV                    | 449.57                                | 0.00                           | 0.00                        | 449.57                          |
| Special Olympics         | 678.49                                | 0.00                           | 0.00                        | 678.49                          |
| Library Activities       | 215.83                                | 0.00                           | 0.00                        | 215.83                          |
| Arts and Humanities      | 391.00                                | 0.00                           | 0.00                        | 391.00                          |
| AP History               | 70.65                                 | 0.00                           | 0.00                        | 70.65                           |
| Shakespeare & Peers      | 1,181.31                              | 0.00                           | 0.00                        | 1,181.31                        |
| Rotary Interact          | 207.16                                | 0.00                           | 0.00                        | 207.16                          |
| Beatnik Café             | 447.90                                | 0.00                           | 0.00                        | 447.90                          |
| Publications             | 7,327.09                              | 0.00                           | 0.00                        | 7,327.09                        |
| Sportsman Club           | 1,440.12                              | 0.00                           | 0.00                        | 1,440.12                        |
| Subtotal                 | 32,691.90                             | 425.77                         | 143.73                      | 32,973.94                       |
| Less:Interfund Transfers | 0.00                                  | 0.00                           | 0.00                        | 0.00                            |
| Total                    | \$ 32,691.90                          | \$ 425.77                      | \$ 143.73                   | \$ 32,973.94                    |

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2014

|                            | Don<br>McNeilly  | Scott<br>Nall<br>Golf | MHS<br>Booster<br>Club | Grant<br>Sloan<br>Memorial | Mary<br>Colby   | Randle<br>& Versa<br>Watts |
|----------------------------|------------------|-----------------------|------------------------|----------------------------|-----------------|----------------------------|
| ASSETS:                    |                  |                       |                        |                            |                 |                            |
| Cash and cash equivalents  | \$ 17,165        | \$ 3,155              | \$ 500                 | \$ 11,875                  | \$ 1,160        | \$ 42,181                  |
| TOTAL ASSETS               | <u>\$ 17,165</u> | <u>\$ 3,155</u>       | <u>\$ 500</u>          | <u>\$ 11,875</u>           | <u>\$ 1,160</u> | <u>\$ 42,181</u>           |
| NET POSITION HELD IN TRUST | <u>\$ 17,165</u> | <u>\$ 3,155</u>       | <u>\$ 500</u>          | <u>\$ 11,875</u>           | <u>\$ 1,160</u> | <u>\$ 42,181</u>           |

See independent auditor's report and accompanying notes to financial statements

| Trevor<br>Williams/<br>McKenzie<br>Stanley | Board<br>Leadership<br>Male | Board<br>Leadership<br>Female | James<br>Steel<br>Robbins<br>Memorial | Roy<br>& Maxine<br>Heath | McKenzie<br>Staley<br>Memorial | Nathan<br>Sholar | Shelton<br>Family | Totals<br>(Memorandum<br>Only) |
|--|-----------------------------|-------------------------------|---------------------------------------|--------------------------|--------------------------------|------------------|-------------------|--------------------------------|
| \$ 203                                     | \$ 510                      | \$ 510                        | \$ 1,025                              | \$ 501                   | \$ 1,001                       | \$ 1,503         | \$ 2,352          | \$ 83,641                      |
| <u>\$ 203</u>                              | <u>\$ 510</u>               | <u>\$ 510</u>                 | <u>\$ 1,025</u>                       | <u>\$ 501</u>            | <u>\$ 1,001</u>                | <u>\$ 1,503</u>  | <u>\$ 2,352</u>   | <u>\$ 83,641</u>               |
| <u>\$ 203</u>                              | <u>\$ 510</u>               | <u>\$ 510</u>                 | <u>\$ 1,025</u>                       | <u>\$ 501</u>            | <u>\$ 1,001</u>                | <u>\$ 1,503</u>  | <u>\$ 2,352</u>   | <u>\$ 83,641</u>               |

MAYFIELD INDEPENDENT SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION HELD IN TRUST  
ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2014

|   | Don<br>McNeilly  | Scott<br>Nall<br>Golf | MHS<br>Booster<br>Club | Grant<br>Sloan<br>Memorial | Mary<br>Colby   | Randle<br>& Versa<br>Watts |
|---|------------------|-----------------------|------------------------|----------------------------|-----------------|----------------------------|
| REVENUES:   |                  |                       |                        |                            |                 |                            |
| From local sources:                               |                  |                       |                        |                            |                 |                            |
| Donations   | \$ 0             | \$ 0                  | \$ 54                  | \$ 3,300                   | \$ 1,160        | \$ 7,789                   |
| Earnings on Investments                           | 15               | 3                     | (3)                    | 8                          | 0               | 19                         |
| Total Revenues                                    | 15               | 3                     | 51                     | 3,308                      | 1,160           | 7,808                      |
| EXPENDITURES                                      |                  |                       |                        |                            |                 |                            |
| Benefits paid                                     | 0                | 0                     | 0                      | 2,000                      | 500             | 10,000                     |
| Total expenditures                                | 0                | 0                     | 0                      | 2,000                      | 500             | 10,000                     |
| Excess (deficit) of revenues<br>over expenditures | 15               | 3                     | 51                     | 1,308                      | 660             | (2,192)                    |
| Net Position Held in Trust, July 1, 2013          | 17,150           | 3,152                 | 449                    | 10,567                     | 500             | 44,373                     |
| Net Position Held in Trust, June 30, 2014         | <u>\$ 17,165</u> | <u>\$ 3,155</u>       | <u>\$ 500</u>          | <u>\$ 11,875</u>           | <u>\$ 1,160</u> | <u>\$ 42,181</u>           |

See independent auditor's report and accompanying notes to financial statements

| Trevor<br>Williams/<br>McKenzie<br>Stanley | Board<br>Leadership<br>Male | Board<br>Leadership<br>Female | James<br>Steel<br>Robbins<br>Memorial | Roy<br>& Maxine<br>Heath | McKenzie<br>Stanley<br>Memorial | Nathan<br>Sholar | Shelton<br>Family | Totals<br>(Memorandum<br>Only) |
|--|-----------------------------|-------------------------------|---------------------------------------|--------------------------|---------------------------------|------------------|-------------------|--------------------------------|
| \$ 0<br>1                                  | \$ 0<br>0                   | \$ 0<br>0                     | \$ 1,000<br>0                         | \$ 500<br>0              | \$ 500<br>1                     | \$ 1,000<br>3    | \$ 5,000<br>1     | \$ 20,303<br>48                |
| 1  | 0                           | 0                             | 1,000                                 | 500                      | 501                             | 1,003            | 5,001             | 20,351                         |
| 0  | 2,000                       | 2,000                         | 1,000                                 | 500                      | 500                             | 500              | 7,650             | 26,650                         |
| 0  | 2,000                       | 2,000                         | 1,000                                 | 500                      | 500                             | 500              | 7,650             | 26,650                         |
| 1  | (2,000)                     | (2,000)                       | 0                                     | 0                        | 1                               | 503              | (2,649)           | (6,299)                        |
| 202  | 2,510                       | 2,510                         | 1,025                                 | 501                      | 1,000                           | 1,000            | 5,001             | 89,940                         |
| \$ 203                                     | \$ 510                      | \$ 510                        | \$ 1,025                              | \$ 501                   | \$ 1,001                        | \$ 1,503         | \$ 2,352          | \$ 83,641                      |

**MAYFIELD INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title    | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Grantor's<br>Number | Federal<br>Expenditures    |
|---|---------------------------|---|----------------------------|
| <b><u>U.S. Department of Education:</u></b>                   |                           |   |                            |
| Passed Through Kentucky Department of Education:              |                           |   |                            |
| Special Education Grants to States                            | 84.027                    | 3810002-13                              | \$ 259,140                 |
| Special Education Preschool Grants                            | 84.173                    | 3800002-13                              | 27,004                     |
| <b>Total Special Education Cluster</b>                        |                           |   | <u>286,144</u>             |
| Title I Grants to Local Educational Agencies                  | 84.010                    | 3100002-11, 12, & 13                    | 827,689                    |
| <b>Total Title I, Part A Cluster</b>                          |                           |   | <u>827,689</u>             |
| English Language Acquisition State Grants                     | 84.365                    | 3300002-12 & 13                         | 47,155                     |
| Improving Teacher Quality State Grants                        | 84.367                    | 3230002-12 & 13                         | 98,175                     |
| Rural Education   | 84.358                    | 3140002-12 & 13                         | 25,727                     |
| Migrant Education State Grant Program                         | 84.011                    | 3110002-10, 12, & 13                    | 78,826                     |
| Race to the Top   | 84.413                    | 3960002-11                              | 8,035                      |
| Career and Technical Education Basic Grants to States         | 84.048                    | 3710002-13 & 14                         | 17,350                     |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                     |                           |   | <u><b>1,389,101</b></u>    |
| <b><u>U.S. Department of Health &amp; Human Services:</u></b> |                           |   |                            |
| Passed through Murray Board of Education:                     |                           |   |                            |
| Head Start  | 93.600                    | 04CH2692                                | 138,083                    |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>   |                           |   | <u><b>138,083</b></u>      |
| <b><u>U.S. Department of Agriculture:</u></b>                 |                           |   |                            |
| Passed Through Kentucky Department of Education:              |                           |   |                            |
| National School Lunch Program - cash                          | 10.555                    | 7750002-13 & 14                         | 781,881                    |
| National School Lunch Program - donated foods (Note B)        | 10.555                    | N/A                                     | 55,182                     |
| School Breakfast Program                                      | 10.553                    | 7760005-13 & 14                         | 299,473                    |
| Summer Food Service Program for Children                      | 10.559                    | 7690024-13 & 14                         | 25,319                     |
| <b>Total Child Nutrition Cluster</b>                          |                           |   | <u>1,161,855</u>           |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                   |                           |   | <u><b>1,161,855</b></u>    |
| <b>TOTAL FEDERAL ASSISTANCE</b>                               |                           |   | <u><b>\$ 2,689,039</b></u> |

See accompanying notes to schedule  
of expenditures of federal awards

## **MAYFIELD INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2014

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mayfield Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2014 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

#### **NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS**

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

|   |    |                  |
|---|----|------------------|
| Total intergovernmental – indirect federal from page 13               | \$ | 1,584,612        |
| Total federal grants from page 16                                     |    | 1,098,466        |
| Donated commodities from page 16                                      |    | 55,182           |
| Less: Medicaid reimbursements included in indirect federal on page 13 |    | <u>(49,221)</u>  |
| Total on page 46  | \$ | <u>2,689,039</u> |

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**



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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
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♦  
MEMBER,  
Kentucky Society  
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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated October 10, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Mayfield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the Kentucky Public School District's *Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated October 10, 2014.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
October 10, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Mayfield Independent School District  
Mayfield, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2014. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Mayfield Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky  
October 10, 2014

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Mayfield Independent School District.
7. The programs tested as major programs included:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> |
|---|--------------------|
| Special Education Cluster:                |                    |
| Special Education Grants to States        | 84.027             |
| Special Education Preschool Grants        | 84.173             |
| Child Nutrition Cluster:                  |                    |
| National School Lunch Program             | 10.555             |
| School Breakfast Program                  | 10.553             |
| Summer Food Service Program for Children  | 10.559             |

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Mayfield Independent School District qualified to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the current year required to be reported in this schedule.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2014**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the prior year that were required to be reported in this section.

**II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the prior year that were required to be reported in this section.

## **MANAGEMENT LETTER POINTS**

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**KIM HAM**  
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**MEMBER,**  
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◆  
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Kentucky State Committee for School District Audits  
and Members of the Board of Education of  
Mayfield Independent School District  
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2014, and have issued my report thereon dated October 10, 2014. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky  
October 10, 2014



**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2014

**UNCORRECTED PRIOR YEAR COMMENTS**

**Travel Related Disbursements:**

In a random sample of disbursements in the prior year, we noted two checks made payable to credit cards, with several charges on the cards being for meals and other travel related expenditures, such as airline tickets or hotel reservations. The travel voucher has a signature line to indicate prior approval for the travel and should be completed. We also noted that many of the meal receipts included on one statement were not detailed receipts; therefore, we could not ascertain how many people were served meals. Detailed receipts should have been attached to the travel voucher whether meals are charged to the credit card or are to be reimbursed to the employee. As noted in the current year comments, expenses for travel were often not properly documented.

**School Activity Funds – Mayfield Middle School**

**Cash Receipts Procedures:**

In a random sample of cash receipt tickets during the prior year, no supporting documentation was attached to three tickets. In the current year, as noted in the current year comments, cash receipts often were not supported by sufficient documentation, particularly receipts from ticket sales and concessions.

**School Activity Funds – Mayfield High School**

**Purchasing Procedures:**

In a random sample of disbursements in the prior year, we noted that the purchase orders for three checks were dated after the invoice date. In the current year, we noted one purchase order that was dated after the invoice date and another purchase order that was not dated.

**CORRECTED PRIOR YEAR COMMENTS**

**Central Office**

**Contract Compliance:**

In a review of the District's contract with the superintendent in the prior year, we noted the latest contract commenced July 1, 2011 and will terminate on June 30, 2015. The initial annual salary for the 2011-12 fiscal year was \$146,295. The contract stipulates that the salary in each subsequent year shall be increased by an amount at least equal to the greatest percentage increase received by any certified employee on any one rank and step of the district salary schedule. In the June 2012 minutes, it was noted that the teachers' salaries were to be raised by 2% for the 2012-13 school year. There was no mention in the minutes of a different amount of increase for the superintendent. Based on a 2% increase, the superintendent's salary would have been \$149,221; however, he was paid \$156,295. The board had given the superintendent a raise of \$10,000 instead of 2%; however, the action was omitted from the minutes. At a special called meeting on October 31, 2013, the board voted to ratify the previous action, reflecting that the superintendent's salary for 2012-13 was correctly paid as \$156,295.

In addition, the contract stated that the District would provide term life insurance for the superintendent in an amount equal to three times his annual salary. Based on the salary noted above of \$149,221, the life insurance should be no greater than \$447,663. One policy was in effect for the period from January 31, 2013 through January 31, 2014 for a face amount of \$550,000 and a premium cost of \$2,501.50. A second policy was in effect for the period from April 2, 2013 through April 2, 2014 for a face amount of \$150,000 and a premium cost of \$996.00. The combined face amount of the two policies total \$700,000, which is \$252,337 in excess of the amount allowed in the contract. These policies were purchased from an employee of the District, although the first policy was in place prior to the individual becoming an employee. The premium for the second policy was refunded to the District in December, 2013.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2014

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

**School Food Service**

In the prior year, a state review of the summer food service program found three corrective actions that were needed. One was to correct the portion served, one was to request a change in meal times from the sponsor as well as a revised application to request same, and one was to have more supervision in the dining area. These items were reported to the food service director and corrective action was required. The corrective actions were submitted to KDE by the deadline and were implemented within the time frame allowed. No corrective actions were needed as a result of reviews performed during the current fiscal year.

Also, we tested the after school snack count forms for the month of January. Many of the numbers were changed and it appears that the grand total omitted 97 meals from one day, meaning the reimbursement amount was less than it should have been based on actual snacks served. Current procedures for the after school snack program include a separate production record and daily count that is logged by the cafeteria manager, with the counts recalculated twice for accuracy by the food service director and food service secretary. The forms tested during the current year were accurate.

We also noted the purchase of 2,000 pounds of blueberries at \$4 per pound for a total of \$8,000. In the file, we noted that the food service director had priced similar products from another source at \$3.533 and \$2.795 per pound. When a price is paid that is higher than other quotes received, justification for paying the higher price should be noted in the file. No such reason was documented. The food service director responded by stating that flash frozen, Kentucky grown blueberries were purchased in bulk for the school year, as she knew the price would increase throughout the year. The nutritional value was taken into consideration more than the financial impact. In the current year, we noted that no such large purchases were made without bids or price quotes with the lowest amount accepted.

**School Activity Funds – Mayfield Elementary School**

**Cash Receipt Procedures:**

In a random sample of cash receipt tickets during the prior year audit, we noted that one ticket number selected to test was not on the sequential list of receipts. Two of the three parts of the receipt were in the monthly folder and were marked "void", while the third part was not in the folder. After asking about this item, it was noted that since there was not a deposit made for that day, the receipt was voided and the amount was included in the receipt ticket made the following day along with receipts from other sources. We also noted four other cash receipt tickets that included funds from multiple sources. We also noted one multiple receipt form that was completed by one person instead of being signed by each person who submitted money. In the current year, we noted that multiple receipt forms were prepared for any checks received in the mail or in person, copies were made of any checks received and deposited, and multiple receipt forms were signed by the person submitting the money.

**Purchasing Procedures:**

Based on a random sample of disbursements in the prior year audit, it appeared that purchase orders were not being completed until the check was written, which was typically after the invoice date. During the current year, we noted that purchase orders appeared to be prepared and approved prior to the purchase being made, with two exceptions. This area was significantly improved.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**  
June 30, 2014

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

**School Activity Funds – Mayfield Elementary School (Continued)**

**Cash Disbursements Procedures:**

In the prior year, we noted that the documentation for one disbursement was a multiple receipt form with the names of 43 students, stating that each student received \$2; however the check was only for \$70. Another check was written to a parent to reimburse a fee that was paid for a lost book that was later found. This disbursement was not supported by a standard invoice or any other documentation. In our current year test of disbursements, we noted proper supporting documentation for these types of disbursements.

**School Activity Funds – Mayfield Middle School**

**Cash Receipts Procedures:**

In a random sample of cash receipt tickets in the prior year, we noted that all three parts of three tickets were in the file, indicating that the person submitting the funds was not given a receipt. In the current year, we did not note this exception again.

**Inventory Control Procedures:**

In the prior year, it was noted that the amounts over or short on the concession sheets were often not explained, with the differences on the sheets tested being 14%, 18%, and 21% of sales. The sheet tested in the current year did not have a significant difference in the amount that should have been collected and the amount deposited.

**Fundraiser Procedures:**

In the prior year, we noted one cash receipt ticket for \$2,865 was from the sale of chickens that were donated. No supporting documentation was retained to show how many chickens were donated, how many were sold, and the price they were sold for; therefore, we could not determine if the amount deposited was reasonable. Fundraisers in the current year were supported by sufficient documentation to determine reasonableness.

**Purchasing Procedures:**

In the prior year, we noted the school had two different credit cards, but only used one sign-out sheet. Although there is a place on the sheet to write which card number is being checked out, the number was not on the sheet. We noted some purchases that were made on days that were not listed on the sign out sheet. In the current year, we noted compliance with credit card sign-out procedures.

**Cash Disbursement Procedures:**

In the prior year, we noted two standard invoices for reimbursements to individuals for meals and online purchases that were not signed by the payee. Two standard invoices tested were not signed by the sponsor. In the current year, we noted proper signatures on standard invoices.

**School Activity Funds – Mayfield High School**

**Interfund Transfer Procedures:**

In the prior year, we noted five transfer forms from the athletic fund to various other funds that were not signed by the athletic director to indicate approval. In the current year, we noted that after the date of our prior year audit report, the transfer forms were properly completed.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**  
June 30, 2014

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

**School Activity Funds – Mayfield High School (Continued)**

**Cash Disbursements Procedures:**

In the prior year, we noted one standard invoice for a disbursement that was not signed by the sponsor to indicate approval. We noted another disbursement that should have been documented by a standard invoice, but was not. In the current year, we noted proper documentation for these types of disbursements.

**Fundraiser Procedures:**

In the prior year, we recommended the use of the fundraiser worksheet to enable the bookkeeper and sponsors to better determine that all amounts have been collected and deposited. In the current year, sufficient documentation was retained for fundraisers.

**Ticket Sales Procedures:**

In the prior year test of ticket sales, we noted that the F-SA-1 forms tested were not signed by either the person in charge of sales or the ticket taker. In the current year, forms were properly completed.

**CURRENT YEAR COMMENTS**

**Central Office**

**Credit Card and Travel Related Disbursements:**

When examining supporting documentation for travel related disbursements that were charged on credit cards, we noted that in several instances, there were no detailed receipts available to review. We also noted several instances where the amount for meals exceeded the per diem rate that was established in the travel policy. The dollar amount of the items with no detailed receipts was approximately \$750. The dollar amount that exceeded per diem limits was approximately \$1,900. KDE instructions to auditors that accompanied the audit contract stated that all credit card charges should include a purchase order, itemized receipts or invoices, and a shipping receipt if applicable. For credit card charges for hotel rooms and/or meals for more than one employee, the purchase order should include proper documentation on the related business function and employee names in attendance. No purchase orders were noted for these disbursements. The expense reimbursement policy in effect during the fiscal year limited the expense for food while on out-of-district trips when an overnight stay was required to \$30 per day. We understand that the travel policy was amended at the end of the fiscal year. Even with the revised policy with higher limits per day allowed, proper supporting documentation must be retained. Purchase orders or travel vouchers should be prepared in advance of the travel and approved. The purchase order or travel voucher should list who will attend the event and detailed receipts should be provided at the conclusion of the travel.

**Management's Response:**

The District's travel policy was changed toward the end of the fiscal year which allows for the per diem charge to be expanded. The per diem amount will not be exceeded. Only credit card bills with itemized receipts will be paid. On overnight travel, the travel voucher will be used and will list all the participants involved in the travel and the individual charges itemized.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2014

**CURRENT YEAR COMMENTS (Continued)**

**Central Office (Continued)**

**Purchasing Procedures:**

In a sample of disbursements, we noted that 23 of 60 disbursements were not supported by purchase orders. Most were for maintenance items, although some were for food and other supplies. We recommend that purchase orders be prepared and approved prior to making purchases in all cases other than emergency situations.

**Management's Response:**

We will prepare blanket purchase orders for a reasonable amount to each of the vendors that are used on a regular basis for maintenance. For all other purchases, individual purchase orders will be done. We will also inform other staff that purchase orders will need to be done for food and general supplies.

**School Activity Funds – Mayfield Elementary School**

**Purchasing Procedures:**

In a random sample of disbursements, we noted that the purchase order for check number 3057 to Wal-Mart was for the exact amount of the actual purchase. While there may be cases where the price has been researched and the purchase order may be prepared with exact amounts, for purchases of several items from Wal-Mart, it is unlikely that the exact amount would be known ahead of time. We also noted the purchase order for check number 3068 was dated March 28, while the invoice was dated March 20. Purchasing procedures in the Red Book require a purchase order to be prepared and approved by the sponsor and principal before the payment is obligated. When an exact amount is not known, a purchase order may be prepared with estimated amounts or "not to exceed" amounts.

We also noted the documentation for check number 3063 was a credit card statement; however, there were no credit card receipts included with the statement. Detailed receipts should be retained with the credit card statement.

**Management's Response:**

Purchase orders to Wal-Mart will be completed prior to the trip to Wal-Mart being made. We will estimate the amount based on the items needing to be purchased. The purchase order for check #3068 was dated the day the check was delivered to the merchant. We will complete the purchase order prior to the order. Check #3063 had lost its detail receipt. We have contacted the vendor and they have reprinted it for us.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2014

**CURRENT YEAR COMMENTS (Continued)**

**School Activity Funds – Mayfield Middle School**

**Cash Receipts Procedures:**

In a random sample of cash receipts, we noted that the accounting for concessions and ticket sales often are not supported by sufficient documentation. Cash receipt ticket number 2551 was for the combined amount of ticket sales and concessions. While there was a Form F-SA-1 for the ticket sales, there was no documentation for the concession sales. Also, the F-SA-1 form was not correctly completed. Although there were forms prepared for concession sales for cash receipt ticket numbers 2582, 2611, 2641, 2662, and 2664, the forms were not signed by the person in charge of collecting the funds. The concession sales form for cash receipt ticket number 2577 had mathematical errors on two line items (chips and Slim Jim's), where the beginning inventory less the items sold did not equal the final number of items on hand. The difference would have been only 4% of sales; however, mathematical accuracy should be checked. The F-SA-1 forms for cash receipt ticket numbers 2551, 2630, and 2644 were not signed by the person in charge of sales or the ticket taker. The multiple receipt form with cash receipt ticket number 2718 was not signed by the person remitting the money. Checks that accompanied cash receipt ticket number 2750 were dated August and October, although the money was not deposited until May. The multiple receipt form with cash receipt ticket number 2604 listed a total of \$116; however, the deposit was only for \$51. It was noted that the teacher had left money in a desk and it was stolen. We recommend that proper procedures relating to cash receipts be reviewed with all staff and volunteers. Although substitute forms may be used, they should contain all information that is included on the official Red Book forms. Concession stand sales sheets should be signed by the person in charge of counting the final inventory, as well as by the person who counts the money. F-SA-1 forms should be signed by the person in charge of sales, the ticket taker, and the school treasurer. Multiple receipt forms should be signed by both the person remitting the money and the school treasurer. Funds should be turned into the school treasurer on a daily basis.

**Management's Response:**

Volunteers were allowed to take up money for tickets and sell concessions for softball. They also donated the concessions and signed a donation form. We were unaware of having to keep up with personal donated purchases. We will no longer allow volunteers to handle ticket sales and concessions. Forms that are not properly signed and calculated by ticket sellers will not be accepted. Checks dated in August and deposited in May were found on the treasurer's desk in May from a former cheerleader sponsor. The amount on the deposit was changed as the participants were contacted to see if they had received their shirts. Some had not and the check was voided. We attempted to keep up with the concession inventory, but discovered other sports were getting our merchandise and selling it without filling out proper forms. They are no longer allowed to do this. The staff has been told numerous times to turn in their money timely and the person suspected of taking the money is no longer with us.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2014

**CURRENT YEAR COMMENTS (Continued)**

**School Activity Funds – Mayfield Middle School (Continued)**

**Purchasing and Cash Disbursements Procedures:**

In a test of disbursements, we noted two individuals who were paid for services for which there was no form W-9 on file. W-9 forms should be obtained prior to making payment for services. We also noted that there was no purchase order or approval noted on the invoice for checks number 4044 and 4224. The purchase order for check number 4221 was not signed or dated. Purchase orders should be prepared and signed to indicate approval prior to making the purchase.

**Management's Response:**

We will obtain a W-9 on anyone we pay. We will prepare and get approved all purchase orders prior to the purchase.

**School Activity Funds – Mayfield High School**

**Cash Receipts Procedures:**

In a test of cash receipts, we noted the amount on the multiple receipt form was more than the amount deposited for cash receipt ticket numbers 3933 and 4073. The multiple receipt form was not properly completed for cash receipt ticket number 3933, with the teacher placing an "x" in the cash column instead of listing the amount of cash received by student for a fundraiser. The explanation for the difference on ticket number 4073 was that some of the money was stolen before it was remitted to the school treasurer.

We also noted in a test of fundraisers, the deposits for the sale of band fruit was less than the amount paid to the vendor for the purchase of the fruit. Upon inquiry, it was noted that the funds had been stolen from the band room. The group was able to get replacement checks from people who had written checks, but the cash could not be replaced. Procedures to protect funds when the office is closed are being reviewed.

**Management's Response:**

As per Red Book, the money should have been turned in or locked in the safe. The teacher had the money locked in his office, but it was taken. Security measures have been taken to correct the problem. We have advised the teachers that they should always bring funds to the office so we can lock money up over night until deposited. We have sent an email to all staff about putting the amount of money taken from students or other persons instead of an "x" on the multiple receipt forms.

**Purchasing Procedures:**

In a random sample of disbursements, we noted that the purchase order for check number 7472 was dated after the invoice date and the purchase order for check number 7551 was not dated. Purchasing procedures in the Red Book require a purchase order to be prepared and approved by the sponsor and principal before the payment is obligated.

**Management's Response:**

We have sent an email to all staff about issuing a purchase order prior to placing the order as per Red Book instructions.